

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 COME-00 EB-24 FRB-03 TRSE-00

XMB-07 OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 STR-08

CEA-02 SAJ-01 ACDA-19 NIC-01 DRC-01 /210 W

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P R 021549Z OCT 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2835

INFO AMEMBASSY MOSCOW

USMISSION EC BRUSSELS

C O N F I D E N T I A L PARIS 23240

E.O. 11652: GDS

TAGS: EFIN FR UR

SUBJECT: FRENCH CREDITS TO USSR

REF: STATE 206666

1. SUMMARY: FRENCH SEEKING TWO YEAR EXPORT CREDIT AGREEMENT WITH SOVIETS WITH INTEREST RATES AT 7.3 TO 7.7 PERCENT AND TOTAL CREDITS 5 TO 5.5 BILLION FRANCS. T/EY WISH DEFER FURTHER DISCUSSION OF PROPOSED GENTLEMEN'S AGREEMENT ON MINIMUM CREDIT RATES UNTIL AGREEMENT REACHED WITH SOVIETS.

2. DREE SOURCE INFORMS US THAT PRINCIPAL PURPOSES

SEGARD SEPTEMBER L2 TRIP TO MOSCOW WERE (A) TO INFORM SOVIETS THAT FRENCH WOULD ADHERE STRICTLY TO LETTER AND SPIRIT OF EC REGULATIONS PROHIBITING BILATERAL COMMERCIAL AGREEMENTS AFTER DECEMBER 31, 1974 AND (B) TO EMPHASIZE. THAT WHILE CERTAIN GENERAL DISCUSSIONS HAD

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OCCURRED, THE FRENCH HAD MADE NO COMMITMENTS ON EITHER

AMOUNTS OR INTEREST RATES ON EXPORT CREDITS FOR USSR. SOVIET REACTION WAS TO SUGGEST FRENCH COULD FIND WAY TO CIRCUMVENT EC REGULATIONS AND TO DEMAND NEW EXPORT CREDITS AT OLD RATE. THEY ALSO ALLUDED TO A GISCARD D'ESTAING STATEMENT IN SPRING OF 1973 PREDICTING A DOUBLING OF FRANCO-USSR TRADE IN THE PERIOD 1975-1980. AS THERE IS ROUGH CORRELATION BETWEEN EXPORT CREDITS AND TOTAL TRADE, SOVIETS CLAIMED THAT, BECAUSE OF INFLATION, CREDITS MUST BE TRIPLED TO ACTUALLY DOUBLE TRADE. FRENCH MAINTAINED THAT THERE WERE NO PRIOR COMMITMENTS ON EXPORT CREDITS AND NEGOTIATIONS WOULD BEGIN IN OCTOBER.

3. FRENCH DELEGATION, PROBABLY HEADED BY SEGARD, GOING

TO MOSCOW OCTOBER 7. THEIR INSTRUCTIONS ARE TO SEEK TWO-YEAR AGREEMENT ON EXPORT CREDITS. NEGOTIATING RANGE WILL BE 5.0 TO 5.5 BILLION FRANCS TOTAL CREDITS FOR TWO-YEAR PERIOD AT INTEREST RATE BETWEEN 7.3 AND 7.7 PERCENT. FRENCH WISH AVOID TWO RATES, I.E. LOWER RATE FOR LARGE TRANSACTIONS. THEY PREPARED TO INCREASE TOTAL CREDITS TO INDUCE SOVIETS ACCEPT HIGHER INTEREST RATE. FRENCH NOT ADAMANT ON TWO-YEAR TERM BUT CONSIDER THIS PRUDENT IN VIEW UNSETTLED ECONOMIC CONDITIONS. AS NEGOTIATING POINT FRENCH WILL URGE SOVIETS ACCEPT RELATIVELY HIGH INTEREST RATE BASED ON PROBABILITY RATES WILL DROP WITHIN NEXT TWO YEARS AND NEW RATE WILL THEN BE NEGOTIATED. WILL ALSO STRESS POINT USSR NO LONGER POOR. UNDERDEVELOPED COUNTRY AND THEREFORE HAS NO CLAIM TO SUBSIDIZED RATES OFFERED SUCH COUNTRIES.

4. DREE SOURCE ADDED THAT FRENCH DO NOT WANT PARTICIPATE IN FURTHER DISCUSSION OF PROPOSED GENTLEMAN'S AGREEMENT ON EXPORT CREDITS UNTIL EXPORT CREDIT PROBLEM WITH SOVIETS IS SOLVED. SOURCE MADE POINT THAT

EC RELATIONS MORE IMPORTANT THAN SOVIET TRADE AND FRENCH WOULD MAKE MAXIMUM EFFORT FOR SOVIETS ACCEPT INTEREST RATE APPROACHING 8 PERCENT.

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